

M E M O R A N D U M

February 25, 2000

To: All Interested Parties

From: Jeanne Peterson

Re: Information Relating to March 15th Application Funding Round

This memorandum is intended to provide further clarification for applicants in the March 15, 2000 California Tax Credit Allocation Committee funding round for 9% tax credit. Hopefully, it will be helpful to you.

INFORMATION OF GENERAL INTEREST TO ALL APPLICANTS

The minimum tax credit factors the Committee will use in underwriting 9% tax credit applications will be \$.75 for projects receiving only federal tax credit, and \$.72 for projects receiving state and federal tax credit. We will use the **higher** of the applicable factor listed here, or the amount in the syndication letter submitted as part of the application.

ALL applications submitted in the March 15 round must contain rent comparables in order to be eligible to be considered for credit. Those receiving Reservations will be required to submit a full blown market study subsequent to the receipt of the Reservation, **EXCEPT** projects located in the following four cities (NOT counties): Los Angeles, San Diego, San Francisco, and San Jose.

The Committee's initial application, at page 11, instructs applicants to "round down" in calculating the number of units required to achieve the percent for "mixed income" points. This is inaccurate. A new version of the application is now on this website that corrects this error. You may continue to work with the older version but please make sure that you round correctly. (for example, a 42 unit project with 20% non tax credit units would be required to have **9**, not 8, non tax credit units to qualify as having 20% non tax credit units ($42 \times .2 = 8.4$ **round up to 9, not down to 8**). Apologies for any confusion this may have caused.

The 2000 rent and income limits have not yet been released by HUD. Therefore, the 1999 limits must be used.

FREQUENTLY ASKED QUESTIONS AND THEIR ANSWERS

1. I am attempting to get “Readiness” points. The jurisdiction in which my development will be located does not have a specific “design review” approval process. Can I achieve these points?

To get design review approval points where no specific design review process exists, you must submit a letter on the municipality’s letterhead, signed by the proper official, stating that this is the case and what the procedure is (for example, that site plan review and design review are completed at the same time.) Further, please note that the reviews must be completed, not merely submitted for review, in order to be eligible for these points.

2. I have been a general partner in over 20 governmentally assisted developments; however, since I have not been active in assisted housing developments recently and have divested myself of my interest in those earlier projects, I cannot obtain certifications with respect to their status. How can I obtain “Experience” points?

If you do not submit the certifications required for maximum experience points, you cannot receive the maximum number of points under the category. However, you would be eligible to receive less than the maximum points permissible.

3. In order to receive points for “Land already owned”, must the partnership that will be the ultimate ownership entity have title prior to March 15?

No, the points for land already owned can be achieved upon a clear showing that a partner in the ultimate ownership entity holds current title AND that there is a valid agreement to convey the property to the ultimate ownership entity. However, in this situation, the current title holder must remain a permanent, long time partner in the ultimate owning entity.

4. Can one achieve “Leveraging” points for donated land when there is only a commitment to donate the land and it has NOT actually been donated prior to March 15?

Yes, if the ONLY condition precedent to donating the land is the receipt of a tax credit reservation.

5. The “Services Amenities” category in the application does not provide for “other”. Can I add a service amenity not listed?

Yes, you may create your own box if the service amenity you will provide is not listed.

6. I took actual title to the land on which my development will be located on March 15, 1997, although the transaction was closed in escrow long before that and the reservation awards will occur more than three years after that date. Will this count as having owned the land for more than three years?

No. The land must actually have been owned (title having passed) for at least 3 years prior to the application filing deadline.

7. Is a building permit acceptable evidence of “all necessary public approvals” and “design review approval” for “Readiness” points?

Yes.

8. If a project received a prior allocation as an “affordability” project but also had qualified under the “credit utilization” category, would it be held to the basis limits of the original application?

Yes.

9. When calculating points under the \$500 per unit “Leveraging” subcategory, do you count ALL the project’s units, or just the tax credit units?

All units in the project must be included for purposes of this calculation.

10. A public entity is donating Partial value of land. How should this be shown?

This should be structured in such a way that it is clear, first, what the value of the land is (from an appraisal), second what the purchase price to the developer is, and third, what the value of the donation is. The easiest way to do this might, in fact, be to show the total value as the purchase price and to have the public entity “forgive” the difference. For example, if the land is valued at \$1 million but the City only wants to get \$400,000 back for it, the \$600,000 value should be eligible for “donated” land points. However, the purchase agreement could be structured such that the actual \$1 million value is the sales price, with the \$600,000 forgiven when the project is completed.

11. How will a situation where there is no purchase price, because the entire land is being donated, be treated?

To the extent that the land has been owned by the donor/applicant for more than 3 years, the appraised value of the property may be used to establish the land’s value. To the extent that the land has been owned for less than 3 years, the purchase price paid by the donor/applicant will be used to establish value for point purposes.